



8011-01
SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-80400; File No. SR- BOX-2017-11)

April 7, 2017

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Extend the Pilot Program for the Listing and Trading of Options Settling to the RealVol™ SPY Index (“Index”)

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 4, 2017, BOX Options Exchange LLC (the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of the Substance of the Proposed Rule Change

The Exchange proposes to extend the pilot program for the listing and trading of options settling to the RealVol™ SPY Index (“Index”). The text of the proposed rule change is available from the principal office of the Exchange, at the Commission’s Public Reference Room and also on the Exchange’s Internet website at <http://boxexchange.com>.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed rule change is to extend the pilot period for the listing and trading of options settling to the RealVol™ SPY Index ("Index"), which is currently scheduled to expire on May 6, 2017.³ The Exchange is proposing to extend the pilot period for an additional twelve (12) month period, until May 6, 2018. This filing does not propose any substantive changes to the listing and trading of options settling to the RealVol™ SPY ("the RealVol™ SPY Pilot Program" or "Pilot Program").

In the initial proposal to list and trade this product, the Exchange stated that if it were to propose an extension, permanent approval or termination of the Pilot Program, the Exchange would submit a filing proposing such amendments to the program.⁴ Accordingly, the Exchange is submitting this filing to extend the program, as the Exchange has not yet begun to list or trade options settling to the RealVol™ SPY Index, but plans to do so in the future.

As proposed in the initial filing, the Exchange proposes to submit a Pilot Program Report to the Securities and Exchange Commission (the "Commission") two months prior to the expiration date of the Pilot Program (the "annual report")⁵. The annual report would contain an analysis of volume, open interest, and trading patterns. The analysis would examine trading in

³ See Securities Exchange Act Release No. 77660 (April 20, 2016), 81 FR 24676 (April 26, 2016) (Notice of Filing and Immediate Effectiveness SR-BOX-2016-19).

⁴ See Securities Exchange Act Release No. 74876 (May 5, 2015), 80 FR 26966 (May 11, 2015) (Order Approving SR-BOX-2015-06).

⁵ Id. The Exchange did not submit an annual report because the Index was never listed for trading.

the proposed option product as well as trading in SPY. In addition, for series that exceed certain minimum open interest parameters, the annual report would provide analysis of index price volatility and SPY trading activity. In addition to the annual report, the Exchange would provide the Commission with periodic interim reports while the pilot is in effect that would contain some, but not all, of the information contained in the annual report. The annual report would be provided to the Commission on a confidential basis.

The annual report would contain the following volume and open interest data:

- (1) monthly volume aggregated for all trades;
- (2) monthly volume aggregated by expiration date;
- (3) monthly volume for each individual series;
- (4) month-end open interest aggregated for all series;
- (5) month-end open interest for all series aggregated by expiration date; and
- (6) month-end open interest for each individual series.

In addition to the annual report, the Exchange would provide the Commission with interim reports of the information listed in Items (1) through (6) above periodically as required by the Commission while the pilot is in effect. These interim reports would also be provided on a confidential basis.

In addition, the annual report would contain the following analysis of trading patterns in VOLS series in the pilot:

- (1) a time series analysis of open interest; and
- (2) an analysis of the distribution of trade sizes.

Also, for series that exceed certain minimum parameters, the annual report would contain the following analysis related to index price changes and SPY trading volume at the close on expiration Fridays:

- (1) a comparison of index price changes at the close of trading on a given expiration Friday with comparable price changes from a control sample. The data would include a calculation of percentage price changes for various time intervals and compare that information to the respective control sample. Raw percentage price change data as well as percentage price change data normalized for prevailing market volatility, as measured by the Chicago Board Options Exchange, Incorporated (“CBOE”) Volatility Index (VIX), would be provided; and
- (2) a calculation of trading volume for a sample set of SPY representing an upper limit on trading that could be attributable to expiring in-the-money series. The data would include a comparison of the calculated volume for SPY in the sample set to the average daily trading volumes of SPY over a sample period.

The minimum open interest parameters, control sample, time intervals, and sample periods would be determined by the Exchange and the Commission.

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act,⁶ in general, and Section 6(b)(5) of the Act,⁷ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. The

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(5).

Exchange believes the proposed extension will further the Exchange's goal of introducing new and innovative products to the marketplace. The Exchange believes that listing the RealVol™ SPY Index will provide an opportunity for investors to hedge, or speculate on, the market risk associated with changes in realized volatility.

The Exchange believes that extending the RealVol™ SPY Index Pilot Program promotes just and equitable principles of trade by permitting market participants, including market makers, institutional investors and retail investors, the potential to establish greater positions when pursuing their investment goals and needs.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that the proposed extension will allow for the listing and trading of a novel index option product that will enhance competition among market participants, to the benefit of investors and the marketplace.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange has neither solicited nor received comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time

as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.⁸

The Exchange believes the proposed change is “non-controversial” because it will allow for the listing and trading of a previously approved novel index option product that will enhance competition among market participants, to the benefit of investors and the marketplace.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission’s Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-BOX-2017-

11 on the subject line.

⁸ 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

Paper Comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-BOX-2017-11. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should

submit only information that you wish to make available publicly. All submissions should refer to File Number SR- BOX-2017-11, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁹

Eduardo A. Aleman
Assistant Secretary

⁹ 17 CFR 200.30-3(a)(12).

